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SUBJECT: AMBASSADOR AND COMMERCE MINISTER DISCUSS TRADE AND
INVESTMENT ISSUES

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11. (SBU) Summary: Ambassador and Commerce Minister Ugwu discussed Nigeria's tariff barriers and bilateral trade and investment issues, the upcoming AGOA Forum, GON efforts to expand value-added manufacturing and increase non-oil exports, The bilateral investment treaty (BIT), prospects for an intellectual property (IP) commission and the Doha Round on June 10. The Minister admitted that Nigeria's excessively high tariffs and large number of import bans were due to fear of competition. He said he and the Finance Minister were working to lower tariffs and eliminate bans but had had resistance particularly from the Agriculture Minister (see septel). He requested support in identifying potential investors for specific sectors such as fertilizer production to help develop productive capacity. Minister Ugwu said a draft proposal for a BIT was with President Yar'Adua and he hoped a BIT could be signed by the next TIFA Council. He sought assistance on the proposed IP Commission and noted the GON and other African countries needed to focus more on the Doha Round. The Ambassador and Minister agreed to establish working groups on AGOA, TIFA/BIT, Investment and IPR and find ways to encourage others in the GON to support elimination of trade barriers. End summary.

12. (U) Ambassador met with Minister of Commerce and Industry Charles Ugwu at MCI on June 10. The Minister was accompanied by senior ministry officials and representatives of the Nigerian Export Promotion Council (NEPC). Acting AID Mission Director and Econ Counselor accompanied Ambassador. Subsequently the Ambassador and Ugwu opened the U.S.-funded Intellectual Property workshop on June 24.

Nigeria's Trade Regime

13. (SBU) The Ambassador reported to Minister Ugwu that the USG was working hard to change the paradigm in bilateral economic relations, including by sponsoring a seminar on project finance for electric power projects, a workshop to familiarize Nigerian businesses with the products and services of U.S. credit and technical assistance agencies, and a range of efforts to support the growth of non-oil exports under the African Growth and Opportunity Act (AGO). At the same time, the GON needed to reform its tariff and trade regime, to enhance two-way trade and allow growth in Nigeria's non-oil sectors. Ugwu admitted the GON maintained high tariffs and import bans "out of fear" of competition from manufacturers in other countries. He said that he and Finance Minister Usman were working together to lower tariffs and eliminate bans. At the same time, he was looking to

establish industrial operations where Nigeria could gain a competitive edge, e.g. plastics or other oil and gas derivatives. He said Nigeria was "caught in a vicious cycle," and inter alia not taking proper advantage of the African Growth and Opportunity Act (AGOA) although he still had his own reservations on AGOA's benefit. Ambassador pushed back on this, noting the advantage to Nigeria's SME's.

Bilateral Trade and Investment

¶4. (SBU) The Minister welcomed the Ambassador's recent initiatives to move forward bilateral economic relations and said he looked forward to regular contact. He lamented the lack of American investments outside of oil and gas, and said he greatly valued the potential for U.S. technology to contribute to Nigerian efforts to boost value-added production. He admitted it was difficult to "arrange everything perfectly" in terms of the investment climate that U.S. companies wanted first, but recommended picking a few areas, including the power sector and fertilizer production, where he could talk specifics with U.S. firms, asking "What do you need to do a deal?" so he could then go to the President to get the right terms and conditions in place. In the meantime, he was working with the Minister of State for Gas to allocate gas supplies for industrial processing, though there "was still untidiness" on gathering presently flared gas. The Ambassador noted the importance of his points, but said lack of transparency and sanctity of contracts are a problem, noting that one of the frameworks important for U.S. companies to see is a bilateral investment treaty. "American investors put great stock in the existence of BITs and a strong, working Trade and Investment Framework

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Agreement (TIFA)", she said. The Minister replied that a draft proposal for a BIT was with President Yar'Adua and he was hopeful that the U.S. and Nigeria could reach agreement on a BIT before the next TIFA Council.

AGOA Forum

¶5. (SBU) The Ambassador emphasized that the July 14-16 AGOA Forum in Washington, DC would be focused on private sector investment and that the GON Delegation could also look for areas to move forward with the TIFA, including on intellectual property rights (IPR). Nigerian Export Promotion Council (NEPC) representatives detailed their recent efforts to boost AGOA exports, including through a textiles training center in Lagos and proactive efforts to enter into contracts with U.S. buyers. There were 140 machines at the center and over 200 entrepreneurs had been trained recently, with three million dollars in contracts signed. There remained a great need to develop human capital. NEPC had set a goal of 25,000 textiles and related jobs by the end of 2009. There was a need to source equipment for emerging enterprises. Overall, NEPC was looking for areas where Nigerians could create value-added operations and then scale out. Fish, shea butter and nuts were also promising areas. NEPC and business people had a growing appreciation of the importance of packaging and standards. Buyers from other countries including Japan had asked whether products were "approved in the U.S." NEPC appreciated USAID and USDA support for regional workshops on packaging and standards. Acting AID Mission Director told the Minister that AID would be happy to work with the Ministry of Commerce and Industry to address specific issues, including product tracing and identifying markets. The Ministry was also trying to develop existing industrial development centers, which had been slated for privatization, as platforms to support the development of small and medium enterprises (SMEs) in line with the GON's cluster strategy for industrial development.

Intellectual Property (IP) Commission

¶6. (SBU) Minister Ugwu said latest GON thinking was to set

up a broad-based IP Commission, along the lines of the existing Corporate Affairs Commission. Though different ministries and agencies had some IPR responsibility, e.g. "trademarks belonged firmly in MCI," there was an emerging consensus to set up an IPC. The GON welcomed any possible U.S. assistance to that end, including on-site advisors and technical assistance to answer basic questions such as "How to conclude registration processes?" and "How to store registrations?" Subsequently the Ambassador and Ugwuoh opened a USG funded IPR conference on June 24 where the ministers made promising remarks on IPR issues and redressing concerns at the ports where he stated the goal is to clear goods within 48 hours.

Doha Round

17. (SBU) The Minister stated that African countries had been preoccupied with Economic Partnership Agreement discussions with the EU, but needed to devote more attention to the Doha Round. Nigeria would be working with other African countries to harmonize South-South positions towards making progress in the Doha Round.

Establishment of Bilateral Working Groups

18. (SBU) The Ambassador and Minister Ugwuoh agreed to establish a working group that would address these issues in an effort to improve dialogue and move U.S. goals and objectives forward:

- AGOA (USAID - NEPC and MCI SME Department);
- TIFA/BIT (Econ Counselor - MCI Trade Director);
- IPR (Econ - MCI Perm Sec); and
- Investment (Econ Counselor - Nigeria Investment Promotion Commission).

SANDERS